

Message Text

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PAGE 01 GEORGE 01478 081936Z
ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 COME-00
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 IO-13
L-03 PA-01 AGRE-00 /083 W
-----044728 081955Z /62

P R 081915Z MAY 78
FM AMEMBASSY GEORGETOWN
TO SECSTATE WASHDC PRIORITY 6736
INFO AMEMBASSY BRIDGETOWN
AMEMBASSY KINGSTON
AMEMBASSY PORT OF SPAIN

LIMITED OFFICIAL USE GEORGETOWN 1478

E.O. 11652: N/A
TAGS: IDB, GY
SUBJECT: GUYANA-IMF NEGOTIATIONS

1. IN DISCUSSIONS WITH IDB REPRESENTATIVES MAY 5, ECONOMIC MEMBER OF IDB TEAM REPORTED TO AID DIRECTOR THAT CLARENCE ELLIS, DEPUTY DIRECTOR, BANK OF GUYANA, STATE THAT ONE YEAR AGREEMENT HAD BEEN REACHED WITH IMF PROVIDING FOR \$US15.5 MILLION SDR, WITH ONE TRANCHE OF 7.5 MILLION SDR PLUS \$8 MILLION FROM COMPENSATORY FINANCING FACILITY SDR. TWO CONDITIONS IMPOSED BY IMF ARE (1) INCREASE IN PRIVATE SECTOR SAVINGS TO 6 PERCENT OF GDP AND (2) DECREASE OF CAPITAL EXPENDITURES BY G\$180,000,000, WHICH IMF PLANS TO MONITOR CLOSELY. RE LATTER, ELLIS REPORTED THAT AGRICULTURE AND HEALTH WILL NOT BE AFFECTED BUT INDUSTRY MIGHT. DEVALUATION WAS NOT CONDITION FOR ONE YEAR AGREEMENT. ELLIS REPORTED FURTHER THAT AGREEMENT WILL BE SENT TO CABINET FOR APPROVAL, AND THAT THE WRITTEN AGREEMENT WITH IMF IS NOW BEING PREPARED.

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PAGE 02 GEORGE 01478 081936Z

2. IDB REP ALSO REPORTED THAT ELLIS INDICATED GOG HAD SET TARGETS FOR PUBLIC SECTOR SAVINGS AS FOLLOWS:
CY 1978 - 8 PERCENT OF GDP; CY 1979 - 9-11 PERCENT;
CY 1980 - 12-14 PERCENT. IN ADDITION, GOG IS CONSIDERING IMPOSITION OF MULTIPLE RATE SALES TAX IN EFFORT TO INCREASE SAVINGS. WITH RESPECT TO GOG INVESTMENT PROGRAM FOR 78-81, CONSISTING OF

G\$600,000,000, 47 PERCENT IS EXPECTED TO BE DERIVED
FROM EXTERNAL SOURCES AND G\$300,000,000 OF WHICH IS
ON CONCESSIONAL FINANCING TERMS.

3. POST WILL ATTEMPT TO OBTAIN INFORMATION FROM GOG
RE STATUS OF IMF DISCUSSIONS AND PROGRESS THROUGH
CABINET.
BURKE

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL AGREEMENTS, IMF DRAWING RIGHTS, DEVELOPMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978GEORGE01478
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780195-0172
Format: TEL
From: GEORGETOWN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780584/aaaactgx.tel
Line Count: 70
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 62e7b4a2-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2764731
Secure: OPEN
Status: NATIVE
Subject: GUYANA-IMF NEGOTIATIONS
TAGS: EFIN, GY, IDB, IMF
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/62e7b4a2-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014